

# **WITHHOLDING KENTUCKY INCOME TAX**



*INSTRUCTIONS FOR EMPLOYERS*

*AND*

*WITHHOLDING TAX TABLES*

Revised November 2003

Tables Effective for Tax Year Beginning  
January 1, 2004

Commonwealth of Kentucky  
REVENUE CABINET  
Frankfort

## Forms

Support Services Branch  
200 Fair Oaks Lane  
Frankfort, KY 40620

(502) 564-3658  
(502) 564-4459 (Forms by Fax)

## Information

Withholding Tax Inquiries (502) 564-4581  
Telecommunication Device for the Deaf (502) 564-3058

## Forms and Information on the Internet

[www.revenue.ky.gov](http://www.revenue.ky.gov)

## KENTUCKY TAXPAYER SERVICE CENTER LOCATIONS

### Ashland

134 Sixteenth Street, 41101-7670  
(606) 920-2037  
Fax: (606) 920-2039

### Bowling Green

201 West Professional Park Court, 42104-3278  
(270) 746-7470  
Fax: (270) 746-7847

### Central Kentucky

200 Fair Oaks Lane  
Frankfort, 40620  
(502) 564-4581 (Taxpayer Assistance)  
Fax: (502) 564-8946

### Corbin

15100 North US25E, Suite 2, 40701-6188  
(606) 528-3322  
Fax: (606) 523-1972

### Hopkinsville

181 Hammond Drive, 42240  
(270) 889-6521  
Fax: (270) 889-6563

### Louisville

620 South Third Street, Suite 102, 40202-2446  
(502) 595-4512  
Fax: (502) 595-4205

### Northern Kentucky

Turfway Ridge Office Park  
7310 Turfway Rd., Suite 190  
Florence, 41042-1385  
(859) 371-9049  
Fax: (859) 371-9154

### Owensboro

401 Frederica Street, 42302  
Building C, Suite 201  
(270) 687-7301  
Fax: (270) 687-7244

### Paducah

2928 Park Avenue, 42001-4024  
Clark Business Complex, Suite G  
(270) 575-7148  
Fax: (270) 575-7027

### Pikeville

Uniplex Center  
126 Trivette Drive, Suite 203, 41501-1275  
(606) 433-7675  
Fax: (606) 433-7679

### Kentucky Revenue Cabinet Mission Statement

The mission of the Kentucky Revenue Cabinet is to . . .

*Provide courteous, accurate and efficient services for the benefit of the Commonwealth and administer Kentucky tax laws in a fair and impartial manner.*

*The Kentucky Revenue Cabinet does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services.*

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## **GENERAL INFORMATION**

This booklet is issued primarily to furnish employers with employer requirements and filing instructions. The withholding tax tables, which are included, are effective for wages paid after December 31, 2003.

The Revenue Cabinet will annually provide updated tax tables to reflect the change in the standard deduction at [www.revenue.ky.gov](http://www.revenue.ky.gov).

Kentucky wages subject to withholding are based on the Internal Revenue Code in effect December 31, 2001. However, some differences do exist. This booklet should be reviewed to prevent difficulties in complying with Kentucky income tax laws.

# WITHHOLDING ON SALARIES AND WAGES UNDER THE KENTUCKY INCOME TAX LAW

## INSTRUCTIONS FOR EMPLOYERS AND TAX TABLES

### I. WAGES SUBJECT TO WITHHOLDING

For Kentucky withholding tax purposes, the terms *wages*, *employee* and *employer* mean the same as defined in Section 3401 of the Internal Revenue Code in effect December 31, 2001. Therefore, wages or other payments made for services performed in Kentucky, which are subject to withholding of federal income tax, are subject to Kentucky withholding. Wages paid to the following are specifically exempt from withholding but voluntary withholding by mutual agreement is permitted:

1. household servants;
2. casual employees (\$50 of wages and 24 days on job per quarter limitation);
3. employees of foreign governments and international organizations;
4. ministers of a church or members of a religious order;
5. newsmen under age 18;
6. employees as noncash tips and total cash tips of less than \$20 per month;
7. employees in a form other than in cash for services not in the course of the employer's business;
8. recipients of payments from tax-exempt trusts or annuity plans.

The above payments are the most common types that are not subject to withholding. However, this list is not all-inclusive. The Internal Revenue Code and related rulings and regulations should be consulted for other payments that may be excluded from withholding.

Regulation 103 KAR 18:010 provides that "Every employer incorporated in Kentucky, qualified to do business in Kentucky, doing business in Kentucky, or subject to the jurisdiction of Kentucky in any manner, and making payment of wages subject to withholding shall deduct, withhold, and pay to the cabinet the tax required to be withheld."

Wages paid to a Kentucky resident as a regular employee in the conduct of business of an employer required to withhold taxes, are subject to withholding on services performed both in and outside Kentucky.

Wages paid a nonresident of Kentucky to the extent paid for services rendered in Kentucky are subject to withholding, except for wages paid employees of those states that have entered into reciprocal agreements with Kentucky. (See Section III.) A completed Form 42A809, Certificate of Nonresidence, must be on file for each employee.

Agricultural workers are subject to withholding for Kentucky purposes unless remuneration is paid in any medium other than cash, the cash amount received by an employee is less than \$150 during the calendar year and employer's calendar year labor expense is less than \$2,500.

### II. WITHHOLDING FORMS

Following are the withholding forms which may be used by the employer. Reference will be made to them throughout this booklet. (See Appendix for examples.)

10A100	Kentucky Tax Registration Application
K-1*	Employer's Return of Income Tax Withheld
K-2	Wage and Tax Statement
K-3*	Employer's Return of Income Tax Withheld (Annual Reconciliation)
K-4	Employee's Withholding Exemption Certificate
K-4A	Withholding Exemptions for Excess Itemized Deductions
K-4E	Special Withholding Exemption Certificate
42A809	Certificate of Nonresidence
K-4FC	Fort Campbell Exemption Certificate
K-1E*	Employer's Return of Income Tax Withheld (Electronic Funds Transfer)
K-3E*	Employer's Return of Income Tax Withheld (Annual Reconciliation) (Electronic Funds Transfer)
42A806	Transmitter Report for Filing Kentucky Wage Statements
42A808	Authorization to Submit Annual Employee Wage and Tax Statements Via File Transfer Protocol

\*The reporting forms (K-1, K-1E, K-3 and K-3E) will be mailed to the employer at the end of each reporting period. **These preprinted computer forms contain important processing information and cannot be furnished in blank form.** When a form is misplaced or not received, an employer should request another form be issued. When requesting any of these forms, please furnish the employer's correct name, address, Kentucky Withholding Account Number and the period for which the form is requested.

### III. EMPLOYEE EXEMPTION CERTIFICATES

Employees are required to complete an employee's withholding exemption certificate and file it with the employer. The Kentucky Revenue Cabinet (KRC) has four types of exemption certificates:

- Form K-4—Employee's Withholding Exemption Certificate;
- Form K-4E—Special Withholding Exemption Certificate;
- Form 42A809—Certificate of Nonresidence; and
- Form K-4FC—Fort Campbell Exemption Certificate.

#### A. Employee's Withholding Exemption Certificate (Form K-4)

Form K-4 is the standard certificate and authorizes the employer to withhold Kentucky income tax based on the exemptions claimed. The number of withholding exemptions claimed by the employee shall not exceed the number to which he or she is entitled. The exemptions to which an employee is entitled are explained in detail on Form K-4.

Form K-4A is provided for employees to use as a worksheet to determine if they may claim additional exemptions on Form K-4 due to an unusually large amount of itemized deductions. If an employee does not properly complete the K-4, the employer must withhold the tax as if no exemptions were claimed.

#### B. Special Withholding Exemption Certificate (Form K-4E)

Form K-4E may be filed by the employee with the employer to exempt his or her earnings from Kentucky withholding tax if the following requirements are met:

1. the annual adjusted gross income must not exceed \$5,000 for single persons or a combined adjusted gross income of \$5,000 for married persons; and
2. no income tax liability is anticipated for the current year.

#### C. Certificate of Nonresidence (Form 42A809)

Under reciprocal tax agreements, salaries or wages earned in Kentucky are exempt from Kentucky withholding tax if:

1. the employee is a resident of Illinois, Indiana, Michigan, Ohio, West Virginia, or Wisconsin; or
2. the employee resides in Virginia and commutes **daily** to his or her place of employment in Kentucky. Form 42A809 **must** be completed and certified by the employee and maintained in the employer's file to exempt such nonresidents from Kentucky withholding.

Contact KRC for further details on reciprocal agreements with other states since their laws may vary from year to year.

#### D. Form K-4FC Fort Campbell Exemption Certificate (Form 42A807)

Under the provisions of Public Law 105-261, pay and compensation earned at Fort Campbell, Kentucky, military bases is exempt from Kentucky income tax if the employee is not a resident of Kentucky. KRS 141.010(17) defines "resident" as an individual domiciled within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in the aggregate more than 183 days of the taxable year in this state.

1. If the employee is not a "resident," Form 42A807 must be completed and filed. It is the employee's responsibility to notify the employer to revoke this certificate 10 days after a move or change of address.

Employers: Keep a copy of Form 42A807 for your files and mail a copy with your name and federal or Kentucky identification number to the Kentucky Revenue Cabinet, P.O. Box 181, Frankfort, Kentucky 40602-0181 within 30 days of receipt.

### IV. EMPLOYER FILING REQUIREMENTS

Employers report and pay Kentucky withholding tax annually, quarterly, monthly or twice monthly. Employers who accumulate \$100,000 or more tax during any reporting period must remit payment within one banking day. Regardless of the reporting and payment frequency, **returns issued to employers must be filed even though no Kentucky income tax was withheld during that period.** Delinquent returns interrupt normal processing and often result in assessments which easily could have been prevented. The filing methods are described below.

#### A. Annual Filing

Employers withholding less than \$400 Kentucky income tax a year will be required to file a return and remit the tax annually. The employer will be notified by KRC when the account is placed on an annual filing basis. The annual return (Form K-3) is filed with KRC by January 31, following the close of the calendar year. The tax due is to be paid in full at the time the return is filed. The return must be filed even though no tax was withheld during the period. **KRC's copy of the Wage and Tax Statements (Forms K-2) issued to employees must be submitted separately with Transmitter Report (Form 42A806) by the due date of January 31.** (See Section VI for additional information.)

Employers assigned to an annual frequency who wish to file quarterly may be changed if a request is made in writing. Employers requesting this change should submit the request to the Taxpayer Assistance Branch, Revenue Cabinet, P.O. Box 1274, Station 56, Frankfort, Kentucky 40602-1274 or by e-mail at [KRC.WebResponseWithholdingTax@mail.state.ky.us](mailto:KRC.WebResponseWithholdingTax@mail.state.ky.us).

#### B. Quarterly Filing

Employers withholding \$400-\$1,999 Kentucky income tax a year must file and pay on a quarterly basis.

##### 1. Form K-1

The quarterly return (Form K-1) must be submitted for the **first three quarters** of the calendar year. The return **must be filed** with the Revenue Cabinet, Frankfort, Kentucky 40619, on or before the last day of the month following the end of the quarter.

Payment of the tax withheld for the quarter must be submitted with the return. **The return must be filed even though no income tax was withheld for the period.**

##### 2. Form K-3

Employers on a quarterly filing basis must file a quarterly return and annual reconciliation (Form K-3) for the fourth quarter. In addition to showing the tax withheld for the fourth quarter, an annual reconciliation area is provided for adjusting the employer's account.

Form K-3 shows the amount of tax credited to the account for the **first three quarters**. This amount plus the amount shown withheld for the fourth quarter should agree with the total amount of Kentucky tax withheld as shown on the Wage and Tax Statements (Forms K-2).

**If the account is underpaid**, the amount of additional tax should be entered on Line 4, Form K-3 and paid with the fourth quarter return. **If the account is overpaid**, credit may be taken on Line 4 against any tax due for the fourth quarter. All overpayments and underpayments will be verified by KRC.

**KRC's copy of Wage and Tax Statements (Forms K-2) issued to employees must be submitted separately with Transmitter Report (Form 42A806) by the due date of January 31.** (See Section VI for additional information.)

## QUARTERLY FILING

Period	Form	Due Date
January–March	K-1	April 30
April–June	K-1	July 31
July–September	K-1	October 31
October–December	K-3	January 31

### C. Monthly Filing

Employers withholding \$2,000-\$49,999 Kentucky income tax a year must file and pay on a monthly basis. Employers meeting the monthly filing requirements must notify KRC and be placed on a monthly filing basis. Employers required to file a return and remit tax withheld monthly shall continue monthly filing unless permission is granted by KRC to file quarterly. When an account has been placed on monthly filing and the employer fails to file monthly, applicable interest and penalties will be assessed as described in Section X.

#### 1. Form K-1

The monthly return (Form K-1) must be filed for the **first 11 months** of the year. The return must be filed with the Revenue Cabinet, Frankfort, Kentucky 40619, on or before the 15th day of the following month. Payment of tax withheld for the month must be submitted with the return. **The return must be filed even though no income tax was withheld for the period.**

#### 2. Form K-3

Employers on a monthly filing basis must file a Form K-3 for the last month of the calendar year.

In addition to showing the tax withheld for the last month of the year, an annual reconciliation area is provided for adjusting the employer's account.

Form K-3 shows the amount of tax credited to the account for the **first nine months** of the year. This amount plus the amounts submitted for October and November and the amount due for December should reconcile with the total amount of Kentucky tax withheld as shown on the Wage and Tax Statements (Forms K-2).

**If the account is underpaid**, the amount of additional tax should be entered on Line 4, Form K-3 and paid with the fourth quarter return. **If the account is overpaid**, credit may be taken on Line 4 against any tax due for the fourth quarter. All overpayments and underpayments will be verified by KRC.

**KRC's copy of Wage and Tax Statements (Forms K-2) issued to employees must be submitted separately with Transmitter Report (Form 42A806) by the due date of January 31.** (See Section VI for additional information.)

## MONTHLY FILING

Period	Form	Due Date
January	K-1	February 15
February	K-1	March 15
March	K-1	April 15
April	K-1	May 15
May	K-1	June 15
June	K-1	July 15
July	K-1	August 15
August	K-1	September 15
September	K-1	October 15
October	K-1	November 15
November	K-1	December 15
December	K-3	January 31

## D. Twice-Monthly Filing

Employers withholding \$50,000 or more Kentucky income tax a year must file and pay on a twice-monthly basis. Employers meeting the twice-monthly filing requirements must notify KRC and be placed on a twice-monthly basis. Employers required to file a return and remit tax withheld twice monthly shall continue twice-monthly filing unless permission is granted by KRC to change filing frequency. When an account has been placed on twice-monthly filing and the employer fails to file twice monthly, applicable interest and penalties will be assessed as described in Section X.

#### 1. Form K-1

The twice-monthly return (Form K-1) must be filed for the first through the 15th of the month due on or before the 25th of the month; the 16th through the end of the month due on or before the 10th of the following month. Payment of tax withheld for the reporting period must be submitted with the return. **The return must be filed even though no income tax was withheld for the period.**

#### 2. Form K-3

Employers on a twice-monthly filing basis must file a Form K-3 for the last reporting period of the calendar year. In addition to showing the tax withheld for the last reporting period of the year, an annual reconciliation area is provided for adjusting the employer's account.

Form K-3 shows the amount of tax credited to the account for the first nine months of the year. This amount plus the amounts submitted for October and November and the amount due for December should reconcile with the total amount of Kentucky tax withheld as shown on the Wage and Tax Statements (Forms K-2).

**If the account is underpaid**, the amount of additional tax should be entered on Line 4, Form K-3 and paid with the return. **If the account is overpaid**, credit may be taken on Line 4 against any tax due for the last reporting period. All overpayments and underpayments will be verified by KRC.

**KRC's copy of Wage and Tax Statements (Forms K-2) issued to employees must be submitted separately with Transmitter Report (Form 42A806) by the due date of January 31.** (See Section VI for additional information.)

## TWICE-MONTHLY FILING

Reporting Period	Return and Payment Due Date
January 1-January 31*	February 10
February 1-February 15	February 25
February 16-February 28	March 10
March 1-March 15	March 25
March 16-March 31	April 10
April 1-April 15	April 25
April 16-April 30	May 10
May 1-May 15	May 25
May 16-May 31	June 10
June 1-June 15	June 25
June 16-June 30	July 10
July 1-July 15	July 25
July 16-July 31	August 10
August 1-August 15	August 25
August 16-August 31	September 10
September 1-September 15	September 25
September 16-September 30	October 10

October 1-October 15	October 25
October 16-October 31	November 10
November 1-November 15	November 25
November 16-November 30	December 10
December 1-December 15	December 26
December 16-December 31**	January 31

\*First reporting period of year will have a 15-day longer reporting period and be due February 10.

\*\*Payment and return will be on Form K-3, Annual Reconciliation, due January 31.

### E. One-Day Deposit

Employers who accumulate \$100,000 or more Kentucky income tax withheld during any reporting period must remit payment within one banking day. Employers who meet this requirement for the first time should contact the Taxpayer Assistance Branch at (502) 564-7287 for instructions.

## V. TERMINATION OF BUSINESS

If an employer discontinues business during the year, the following actions must be taken to close the withholding account:

1. provide a Form K-2 for each employee;
2. prepare and file a Form K-3 and submit the applicable wage and tax statements (designated to be sent to KRC) for each employee with Transmitter Report (Form 42A806);
3. check "request for cancellation" box on back of Form K-1 or K-3. An effective date and phone number must be entered. **It is important that this step be taken. Failure to do this will generate computer notices which could result in assessments for delinquent returns.**

## VI. WAGE AND TAX STATEMENTS

Employers must furnish the designated copies of the Wage and Tax Statement (Form K-2) to their employees by January 31. **This is required by Regulation 103 KAR 18:050. KRC's copy of Wage and Tax Statements (Forms K-2) issued to employees must be submitted separately with Transmitter Report (Form 42A806) by the due date of January 31. Failure to furnish these required forms may result in penalties in accordance with KRS 131.180(4).**

If an employee is discharged or terminates his or her employment during the year and requests a withholding statement, the employer must provide the employee with designated copies of Form K-2 within 30 days of the last payment of wages or within 30 days of the request. The designated copies to be sent to KRC must be included with all other employees' wage and tax statements and filed with Transmitter Report (Form 42A806) on or before the following January 31.

KRC provides a six-part packet of wage and tax statements which contains the federal Form W-2 and Kentucky Form K-2, for reporting income tax withheld to KRC and the Internal Revenue Service. Employers may order the official form or use an approved commercially printed form. Order forms may be obtained by contacting any Kentucky Taxpayer Service Center.

**It is very important that the Kentucky Withholding Account Number** be listed on the Wage and Tax Statements (Forms K-2). Many employers list only the Federal Identification Number, which causes processing problems. The forms must also be **legible**. Illegible forms are often a major problem in the reconciliation of the employer accounts.

Employers who submit wage and tax statements that are incomplete or are improperly completed are subject to a **penalty of \$10 for each incorrect or delinquent statement**. The statements must be completed as shown in the Appendix of this booklet.

### Commercially printed forms must include:

1. a legible copy for the employee stating that it is to be attached to his or her Kentucky income tax return. **No commercial packet shall contain more than one copy designated to be filed with the employee's state income tax return;**
2. a copy for the employee's personal records;
3. a copy to be filed by the employer annually with KRC; and
4. an acceptable format with spaces designated as follows:
  - a. gross wages;
  - b. Kentucky gross wages if different from federal gross wages;
  - c. Kentucky tax withheld and federal tax withheld;
  - d. employee's Social Security number;
  - e. Kentucky employer account number; and
  - f. name of state (commercially printed forms).

### Web Filing, Diskette and CD Reporting of Wage and Tax Statements

Web filing is a method of reporting Annual Employee Wage and Tax Information. KRC has designed a secure Web site to provide this functionality. Web filing streamlines the processing of the wage and tax information and offers an easy, secure way to meet the filing requirements. For information regarding participation in the Web filing method of electronically reporting wage and tax information, contact the Withholding Tax Compliance Section at (502) 564-7271, ext. 4141, 4662, or 4663 or by e-mail at [KRC.WebResponseWithholdingTax@mail.state.ky.us](mailto:KRC.WebResponseWithholdingTax@mail.state.ky.us).

***KRC follows the federal specification format for filing K-2 data via magnetic media. This does not mean a duplicate copy of your federal magnetic media is acceptable. There are differences in the data record requirements and some differences in procedural requirements between the federal and state.***

*Kentucky follows the SSA's MMREF specifications for filing W-2 information.*

### Diskette and CD Submissions

Regulation 103 KAR 18:050, Section 5 requires any employer who issues more than 100 Forms K-2 annually to utilize an acceptable form of magnetic media. Employers with fewer than 100 Forms K-2 are encouraged, but not required, to utilize magnetic media filing.

The use of magnetic media eliminates the necessity of filing paper K-2s with KRC. Employers and third-party processors who use software to produce paper forms of the K-2 should convert to magnetic media reporting as an alternative to filing paper forms.

The reporting of K-2 information by magnetic media to KRC is required **annually**. This is due by January 31, of the following year. The Withholding Tax Returns (K-1, K-1E, K-3, K-3E) **cannot** be accepted on magnetic media. Only K-2 information can be accepted in a magnetic media format.

Authorization to file magnetic media is not required. However, a Transmitter Report (Form 42A806) should accompany all magnetic media submitted. A reproducible blank transmitter report is included in the Reproducible Forms section of this booklet.

Kentucky accepts 3.5" diskettes, CDs and Web filing of wage and tax statements (Form K-2/W-2). Any other form of media will be returned as unacceptable.



## Required Data Records for Kentucky

THERE IS ONE FORMAT (MMREF-1) FOR CD, DISKETTE AND FTP REPORTING.

Required Records: RA—Submitter Record  
RE—Employer Record  
RW—Employer Wage Record  
RS—State Record **REQUIRED**  
RT—Total Record  
RF—Final Record

CDs and Diskettes **will be returned unprocessed if they contain:**

Improper Formatting  
Incorrect Record Codes  
Incorrect Record Sequence

Additional information for W-2 submissions:

Be sure to use a blank CD

Diskettes must be 3.5" MS-DOS compatible *double density*, 1.44 megabytes or *high density*, 720 kilobytes.

## VII. ELECTRONIC FUND TRANSFER

Employers whose average monthly income tax withholding exceeds the amount referred to in Regulation 103 KAR 18:150 will be required to submit tax payments via electronic fund transfer (EFT). KRC will notify employers when they reach this threshold.

KRC offers business entities the opportunity to voluntarily pay their withholding tax via EFT. KRS 131.155—**Electronic Fund Transfer** was amended by the 2000 General Assembly to require that all electronic fund transfer payers remit payment to KRC by the debit method or other means as prescribed by KRC. KRC may also require reporting agents whose aggregate payment on behalf of multiple taxpayers is in excess of the threshold or anyone who reports and pays for more than 100 individual accounts to remit all payments via electronic fund transfer. The current threshold for mandatory electronic fund transfer established by Regulation 103 KAR 1:060 is \$25,000 for sales and withholding taxes only. Many business entities find this a convenient and efficient way to remit their tax payments.

To be eligible for EFT, the business must be registered with KRC for sales and use and/or withholding tax filing purposes. The business must then register with KRC's EFT group. Applications for EFT may be obtained by contacting the EFT Group at (502) 564-6020, or by visiting one of KRC's taxpayer service centers. Once the completed application is received and processed the business will be notified that they may begin remitting payments via EFT and will receive specific instructions for the payment method selected.

### KRS 131.155(5)

Taxpayers and any other persons who are required to collect and remit taxes administered by the cabinet by electronic fund transfer shall be entitled to receive refunds for any overpayment of taxes or fees, on or after July 1, 2001, by electronic fund transfer. Form 42A815, withholding tax refund application must be submitted with refund request.

## VIII. SUMMARY OF EMPLOYER REQUIREMENTS

1. KRC uses a combined application for registration of withholding, corporation, coal and sales and use taxes. Employers required to withhold Kentucky income tax must complete Sections A, B, E and F of this form. A withholding account number is required when an

employer has one or more employees as defined in Section 3401 of the Internal Revenue Code in effect December 31, 2001.

2. All employees subject to withholding must complete an Employee's Withholding Exemption Certificate, Form K-4, Form K-4E or Form 42A809. These forms are used by the employer to determine the amount of tax to be withheld and should be on file immediately after an employee begins to work.
3. The employer must withhold tax according to the tables or computer formula in this booklet.
4. The employer must send payment of all income tax withheld for the applicable period to the Revenue Cabinet, Frankfort, Kentucky 40619. This payment must be accompanied by Form K-1, Employer's Return of Income Tax Withheld, which will be furnished by KRC.
5. On or before January 31 of each year, or at the termination of employment, the employer must give each employee a wage and tax statement in duplicate using Form K-2 (Copies "No. 2" and "C") or a previously approved commercially printed wage and tax statement showing:
  - a. gross wages;
  - b. Kentucky gross wages if different from federal gross wages;
  - c. Kentucky tax withheld and federal tax withheld;
  - d. employee's Social Security number;
  - e. Kentucky employer account number; and
  - f. name of state (commercially printed forms).
6. The employer must file Form K-3, Employer's Return of Income Tax Withheld, on or before January 31 of each year. Form K-3 is a combination return reporting income tax withheld for the period ending December 31, and reconciling withholding for the year. **KRC's copy of Wage and Tax Statements (Forms K-2) issued to employees must be submitted separately with Transmitter Report (Form 42A806) by the due date of January 31.**
7. Income exempt from Kentucky withholding is generally the same as under federal law. The chief classes exempt are domestic workers, fees paid to public officials and ministers.
8. Employers required to withhold Kentucky income tax are generally the same as under federal law. **It is necessary to file a Form K-2 for each employee even though there may be no Kentucky income tax withheld.**
9. All required returns will be mailed to the employer at the end of each reporting period. **These computer forms are preprinted and cannot be furnished in blank form.** If a return is not received, KRC should be notified giving the correct name and address of the employer, Kentucky Withholding Account Number and the period for which the duplicate return is requested.

## IX. GAMBLING WINNINGS

Regulation 103 KAR 18:070 establishes the withholding rate on gambling winnings at the maximum income tax rate in KRS 141.020. Every person making a payment of gambling winnings that is subject to federal tax withholding shall deduct and withhold from the payment Kentucky income tax. The withholding tax rate for gambling winnings is 6 percent of the proceeds paid (the amount of winnings minus the amount of the bet).

Gambling winnings of more than \$5,000 from the following sources are subject to income tax withholding.

- Any sweepstakes, wagering pool, or lottery.
- Any other wager, if the proceeds are at least 300 times the amount of the bet.

Gambling winnings from bingo, keno, and slot machines are generally not subject to income tax withholding.

The definition of *wages* in KRS 141.010(22) includes *gambling winnings* subject to withholding as provided in Section 3402(q) of the Internal Revenue Code. Additional information is available in Internal Revenue Service Publication 505, Tax Withholding and Estimated Tax.

## X. INTEREST, PENALTIES, BOND REQUIREMENT AND CORPORATE OFFICER LIABILITY

- A. **Interest (KRS 141.985)**—If the tax, whether assessed by KRC or the taxpayer, or any installment or portion of the tax is not paid on or before the due date prescribed for its payment, there shall be collected, as a part of the tax, interest upon the unpaid amount computed from the due date until paid.
- B. **Civil Penalties (KRS 131.180)**—Any employer who fails to withhold and remit taxes as required by KRS Chapter 141 may be subject to the following penalties.
1. *Late filing of return*—2 percent of the total tax due for each 30 days or a fraction thereof the return or report is late, not to exceed 20 percent (minimum \$10).
  2. *Late payment or failure to withhold tax*—2 percent of the tax not timely paid or withheld for each 30 days or fraction thereof the payment is late, not to exceed 20 percent (minimum \$10).
  3. *Failure to timely obtain identification number, permit, license or other document of authority*—10 percent of any cost or fee required for issuance (minimum \$50).
  4. *Failure to file return or furnish information*—Any employer required to furnish a wage and tax statement who fails to furnish a statement, may for such failure be subject to civil penalty of \$25 for each return (minimum \$100).
- C. **Criminal Penalty (KRS 141.990)**—Any employer who willfully fails to make a return, or willfully makes a false return, or who willfully fails to pay the tax owing or collected, with the intent to evade payment of the tax or amount collected, or any part thereof, shall be guilty of a Class D felony.
- D. **Criminal Penalty (KRS 514.040)**—A person is guilty of theft by deception when he issues a check or similar sight order in payment of all or any part of any tax payable to the commonwealth knowing that it will not be honored by the drawee. Theft by deception is a Class A misdemeanor unless the amount of the check or sight order is \$300 or more, in which case it is a Class D felony.
- E. **Bond Requirement (KRS 141.310)**—Any employer may be required to post a bond with KRC. Action to restrain or enjoin the operation of an employer's business may be taken until the bond is posted and/or the tax is paid. The amount of the bond shall not exceed \$50,000.

- F. **Corporate Officer Liability (KRS 141.340)**—Certain corporate officers shall be held liable for any tax required to be withheld from wages paid to employees of the corporation.

## XI. COMPUTER FORMULA (OPTIONAL WITHHOLDING METHOD)

Employers may compute Kentucky income tax withholding by the computer formula shown below. **No other formula or withholding method may be used unless specific written approval is granted by KRC.** Further information may be secured by writing the Withholding Tax Section, Revenue Cabinet, P.O. Box 1274, Frankfort, Kentucky 40602-1274.

*Formula:*

Gross income for pay period, times number of pay periods annually, equals annual gross income, minus standard deduction, equals taxable income. Compute tax on taxable income from Kentucky tax rate schedule to determine gross annual tax. Gross annual tax minus (\$20 times number of tax credits claimed) equals annual tax divided by number of pay periods annually equals Kentucky withholding tax for pay period.

### Kentucky Tax Rate Schedule

2% of the first \$3,000 of net income;  
3% of the next \$1,000 of net income;  
4% of the next \$1,000 of net income;  
5% of the next \$3,000 of net income;  
6% of the net income in excess of \$8,000.

*2004 Example:*

Payroll Frequency	Monthly
Gross Monthly Wages	\$2,000
One Tax Credit (exemption)	\$20
1. Annualize gross income:	$\$2,000 \times 12 = \$24,000$
2. Compute taxable income:	$\$24,000 - \$1,870 = \$22,130$
3. Compute tax:	$\$22,130 \times \text{tax rate} = \$1,127.80$
4. Deduct tax credit (exemption):	$\$1,127.80 - \$20 = \$1,107.80$
5. Compute tax for tax period: (Divide by number of pay periods)	$\$1,107.80 \div 12 = \$92.32$ (monthly withholding)

NOTE: The KRC annually adjusts the standard deduction in accordance with KRS 141.081(2)(a). Employers that use the formula to compute the amount of withholding may use the standard deduction for the current year.

## XII. TAXABLE/EXEMPT CHART

Kentucky withholding tax law is based on the federal withholding tax law in effect December 31, 2001. KRC generally follows the administrative regulations and rulings of the Internal Revenue Service in those areas where no specific Kentucky law exists.

The Kentucky Legislature has provided for the prospective adoption of amendments to the December 31, 2001, Internal Revenue Code which would extend provisions that would otherwise terminate, providing any subsequent federal legislation is limited only to the extension of the statute.

The chart below has been prepared as a quick reference guide to the withholding tax treatment of many types of payments or payees.

<b>Situation</b>	<b>Kentucky Withholding Treatment</b>
Agricultural Workers—Wages	Required*
Aliens	Required
Bonuses	Required
Cafeteria Plans	Not Required
Clergy	Not Required
Company Cars	Required
Contractors	Not Required
Dependent Care Assistance Programs	Not Required
Directors and Officers	Required
Dismissal or Severance Pay	Required
Domestic Workers	Not Required
Election Campaign Workers	Not Required
Family Employment	Required
Federal Thrift Savings Fund	Not Required*
Flexible Benefit Plans	Not Required
Fringe Benefits	Not Required*
Golden Parachute Payments	Required
Group-Term Life	Not Required*
Health Care Plans	Not Required
IRA	Not Required
Loans	Not Required
Meals and Lodging	Not Required*
Moving Expenses	Not Required
Nonprofit Organizations	Required
Retirement and Pension Plans (401K Plan)	Not Required*
Scholarships and Grants	Not Required
SEP Plan	Not Required*
Sick Pay	Required*
Third-Party Sick Pay	Not Required
Tips	Required (over \$20)
Travel Expenses	Not Required*
Vacation Pay	Required

\*Refer to Internal Revenue Code in effect December 31, 2001, for exceptions.

### **XIII. COMMONLY ASKED QUESTIONS AND ANSWERS**

#### **1. Who is considered an employee?**

An employee is someone who receives wages for services performed for his or her employer. The term wages includes all remuneration (other than fees paid to a public official) for services performed. Therefore, wages earned for services performed in Kentucky are subject to Kentucky withholding. Corporate officers are also considered employees.

#### **2. How do I obtain a Withholding Tax Account Number?**

A Kentucky Tax Registration Application, Revenue Form 10A100, must be filed. Once received, the application will be reviewed and an account number will be assigned indicating the filing frequency. Applications may be obtained by contacting the nearest Kentucky Taxpayer Service Center or the following address:

Support Services Branch  
Revenue Cabinet  
Station 35  
Frankfort, Kentucky 40620  
(502) 564-3658

#### **3. Is an out-of-state employer required to withhold?**

Regulation 103 KAR 18:010(2) provides that wages paid to nonresidents are subject to withholding to the extent that they earned wages while working in Kentucky unless the nonresident employee is a resident of a reciprocal state. An out-of-state employer may voluntarily withhold Kentucky tax on a Kentucky resident who is working outside of Kentucky.

#### **4. Does an employer have to withhold tax on a spouse or relative?**

Yes. Tax must be withheld on a spouse employed by a spouse, son or daughter employed by parent, a parent employed by a son, daughter, or any other employee-relative.

#### **5. What is a K-2?**

A K-2 is the state copy of the Wage and Tax Statement (Form W-2). Copy 1 of Form K-2 must be submitted to KRC with Transmitter Report (Form 42A806). Copy 2 is to be issued to the employee to enable him or her to file an individual income tax return. Copy 2 should be issued to employees before January 31 of each year.

#### **6. What happens if an employer does not submit copies of K-2s to his or her employees or KRC?**

Penalties will be assessed per KRS 131.180.

#### **7. Is Form 1099 required to be filed with Kentucky?**

Form 1099 is not required to be submitted unless Kentucky tax is withheld or the liquidation or dissolution of a corporation takes place.

#### **8. Is tax required to be withheld on agricultural labor?**

Kentucky income tax law is based on the Internal Revenue Code in effect December 31, 2001. Section 3121(a) of the Internal Revenue Code includes agricultural wages as being taxable unless remuneration is paid in any medium other than cash, the cash amount received by an employee is less than \$150 and the employer's labor expense is less than \$2,500. Therefore, any agricultural wages taxable for federal purposes would also be considered taxable for Kentucky.

#### **9. Is Kentucky tax required to be withheld on pensions?**

No. Kentucky tax may be withheld voluntarily, but is not required.

#### **10. What should I do if I do not receive a return?**

If a return is not received 10 days before the due date, contact KRC immediately, at (502) 564-4581, so a new return can be issued. Each return is preprinted and contains coded data for processing purposes.

#### **11. How do I amend information on a previously filed return?**

An amended return is available by contacting a taxpayer service center from fax-on-demand, and from our Web site. Refer to these sources on the inside front cover. In many cases a phone call to KRC may eliminate the need to file an amended return.

#### XIV. FORMS AVAILABLE ON FAX-ON-DEMAND (502) 564-4459

Document Number	Withholding Tax Forms
901	(42A806) Transmitter Report for Filing Kentucky Wage Statements
902	Authorization to File Wage and Tax Statements via FTP
903	Withholding Tax Refund Application
904	Form K-4 (42A804) Employee's Withholding Exemption Certificate
905	Form K-4A (42A804-A) Withholding Exemptions for Excess Itemized Deductions
906	Form K-4E (42A804-E) Special Withholding Exemption Certificate
907	(42A807) Fort Campbell Exemption Certificate
908	(42A809) Certificate of Nonresidence
909	Withholding Tax Book—Instructions for Employers and Withholding Tax Tables
910	K-2 Order Form

#### XV. WITHHOLDING TABLES

The tables on the following pages are provided to show Kentucky income tax to be withheld on the basis of daily or miscellaneous, weekly, bi-weekly, semi-monthly, and monthly payroll periods. Each table shows withholding amounts for persons claiming 0 to 10 or more exemptions.

NOTE: KRC annually adjusts the standard deduction in accordance with KRS 141.081(2)(a). The following tables are effective for wages paid after December 31, 2003.

#### NOTICE NEW WITHHOLDING REQUIREMENTS FOR PASS-THROUGH ENTITIES ON NET DISTRIBUTIVE SHARE INCOME

For taxable years ending on or after December 31, 2003, every pass-through entity required under KRS 141.206(1) to file Form 765, Kentucky Partnership Income Return, or Form 720S, Kentucky S Corporation Income and License Tax Return, must withhold income tax at the rate of 6 percent on the net distributive share income of each nonresident individual partner, shareholder, or member. **The tax withheld is reported and paid with Form 40A201 when the annual income return is filed. This is in addition to any wage withholding requirement.**

Withholding is not required if:

- the member's net distributive share income is less than \$1,000;
- the pass-through entity can demonstrate that the member's net distributive share income is not subject to income tax; or
- the pass-through entity is a publicly traded partnership as defined by 26 U.S.C. 7704(b) of the Internal Revenue Code.

The pass-through entity is liable for the payment of the tax required to be withheld less any credits passed through to the individual that are reasonably expected to be claimed in the current tax year. The pass-through entity shall recover the amount of tax withheld from the member.

**The tax withheld shall be remitted with Revenue Form 40A201, Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income Transmittal Report.** This report shall be filed with the Kentucky Revenue Cabinet on or before the 15<sup>th</sup> day of the fourth month after the end of its taxable year.

The pass-through entity shall provide each nonresident individual member with **Revenue Form 40A200, Kentucky Nonresident Income Tax Withholding on Net Distributive Share Income**, or approved substitute, showing the member's income subject to withholding and the amount of Kentucky income tax withheld.

The reporting of net distributive share income and payment of tax due by the pass-through entity shall satisfy the filing requirement of KRS 141.206 for a nonresident individual member whose only Kentucky source income is net distributive share income. The nonresident individual member may file a return to take advantage of the graduated tax rates and apply the tax withheld against tax imposed for the taxable year in which the income is reported.

The term *pass-through entity* is defined in Regulation 103 KAR 18:070, Section 1, and means (1) an S corporation; (2) a partnership; or (3) a limited partnership, a limited liability partnership, or a limited liability company that is not taxed as a corporation for federal tax purposes.

The term *member* means a shareholder of an S corporation; a partner in a general partnership, a limited partnership, or a limited liability partnership; or a member of a limited liability company including a disregarded member.

The term *lower-tier pass-through entity* means a member of a pass-through entity that is itself a pass-through entity. A lower-tier pass-through entity is subject to this same requirement to withhold and pay income tax on the net distributive share income of each of its nonresident individual members

The term *net distributive share income* means the member's pro rata share of the total of the pass-through entity's income, gains, and losses minus any deductions allowable as an adjustment to gross income in KRS 141.010(10) and apportioned to Kentucky under KRS 141.206.

Additional questions related to this matter may be via e-mail at [KRC.WebResponseIndividualIncomeTax@mail.state.ky.us](mailto:KRC.WebResponseIndividualIncomeTax@mail.state.ky.us) or by calling (502) 564-4581.

# **Appendix**

## **Sample Withholding**

### **Tax Forms**

**Exemption Forms**


40A200 First Page Reduce to Fit Here

40A200 Second Page Reduce to Fit Here



<b>740NP-WH</b> 40A201 (9-03) 		<b>KENTUCKY NONRESIDENT          INCOME TAX WITHHOLDING ON          NET DISTRIBUTIVE SHARE INCOME TRANSMITTAL REPORT</b>		For Taxable Year Ended ____ / ____ / ____
(1) FEIN		(5) Number of nonresident members subject to withholding		
(2) Name of Partnership, S Corporation, LP, LLP, or LLC		(6) Kentucky net distributive share income subject to withholding		.00
Street Address		(7) Tax before credit (line 6 multiplied by .06 (6%))		.00
City State ZIP Code		(8) Enter credits		.00
(3) Check type of entity: <input type="checkbox"/> S Corp <input type="checkbox"/> GP <input type="checkbox"/> LP <input type="checkbox"/> LLP <input type="checkbox"/> LLC		(9) Kentucky income tax withheld (subtract line 8 from line 7)		.00
(4) Kentucky S Corporation Account Number				

**Make check or money order payable to Kentucky State Treasurer**

**Mail to: Kentucky Revenue Cabinet, Frankfort KY 40619-0006**

I declare under the penalties of perjury that this return, including any accompanying schedules and statements, has been examined by me and, to the best of my knowledge and belief, is a true, correct and complete return.

Signature of general partner, member, elected officer or authorized person	Daytime telephone number	Date
---	--------------------------	------

Typed or printed name of preparer other than taxpayer	Identification number of preparer	Date
---	-----------------------------------	------

## INSTRUCTIONS

A pass-through entity must complete this form and mail with payment to the Kentucky Revenue Cabinet by the 15<sup>th</sup> of the fourth month following the close of the taxable year. Copies A of Form PTE-WH, or approved substitute must be included.

1. Enter pass-through entity's Federal Identification Number (FEIN).
2. Enter pass-through entity's Name, Address and ZIP Code.
3. Check the box to indicate entity type. S Corp for S Corporation, GP for general partnership, LP for limited partnership, LLP for limited liability partnership and LLC for limited liability company.
4. Enter Kentucky S Corporation Account Number, if applicable.
5. Enter the number of members subject to withholding. Include those members whose net distributive share income is at least \$1,000 and for whom Form PTE-WH or approved substitute has been completed.
6. Enter total net distributive share income reported to members.
7. Multiply the amount on line 6 by 6 percent (6%) and enter here.
8. Enter credits passed through to the members.
9. Subtract line 8 from line 7. This should match the amount of Kentucky income tax withheld on forms provided to members.

# Wage and Tax Statements

(Combination Federal and State)

The following items **must** be completed on all wage and tax statements:

- (1) employer's Kentucky withholding account number;
- (2) Kentucky income tax withheld;
- (3) wages paid subject to withholding;
- (4) federal income tax withheld;
- (5) Kentucky gross wages;
- (6) employee's name, address and Social Security number;
- (7) employer's name and address;
- (8) federal identification number; and
- (9) commercially printed wage and tax statements must show "KENTUCKY" in this space. The name of the state may be abbreviated "KY."

## Official Revenue Cabinet Statement

a Control number		OMB No. 1545-0008					
b Employer identification number (8) 61-0000000			1 Wages, tips, other compensation (3) 8,930.70		2 Federal income tax withheld (4) 874.90		
c Employer's name, address, and ZIP Code (7) JOHN Q PUBLIC DBA PUBLICS TAX SERVICE 111 PROGRESS STREET BOWLING GREEN KY 42101			3 Social Security wages		4 Social Security tax withheld		
			5 Medicare wages and tips		6 Medicare tax withheld		
			7 Social Security tips		8 Allocated tips		
d Employee's Social Security number 999-99-9999			9 Advance EIC payment		10 Dependent care benefits		
e Employee's first name and initial Last Name (6) MARY J BROWN 198 MAIN STREET BOWLING GREEN KY 42101			11 Nonqualified plans		12a		
			13 Statutory employee Retirement plan Third-party sick pay <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>		12b		
			14 Other		12c		
					12d		
f Employee's address and ZIP Code							
15 (9) Employer's KY Withholding Acct. No. KY (1) 098765		16 KY wages, tips, etc. (5) 8,930.70		17 KY income tax (2) 175.56		18 Local wages, tips, etc.	
						19 Local income tax	
						20 Locality name	

Form **K-2** Wage and Tax Statement

**2003**

Copy 2 To Be Filed With Employee's Kentucky Individual Income Tax Return.

Department of the Treasury—Internal Revenue Service

This information is being furnished to the Kentucky Revenue Cabinet.

## Commercially Printed Statement

<b>a</b> Control number	22222	Void <input type="checkbox"/>	<b>For Official Use Only →</b> OMB No. 1545-0008			
<b>b</b> Employer's identification number (8) 61-0000000			<b>1</b> Wages, tips, other compensation (3) 8,930.70		<b>2</b> Federal income tax withheld (4) 874.90	
<b>c</b> Employer's name, address, and ZIP Code (7) JOHN Q PUBLIC DBA PUBLICS TAX SERVICE 111 PROGRESS STREET BOWLING GREEN KY 42101			<b>3</b> Social Security wages		<b>4</b> Social Security tax withheld	
			<b>5</b> Medicare wages and tips		<b>6</b> Medicare tax withheld	
			<b>7</b> Social Security tips		<b>8</b> Allocated tips	
<b>d</b> Employee's Social Security number 999-99-9999			<b>9</b> Advance EIC payment		<b>10</b> Dependent care benefits	
<b>e</b> Employee's name, address and ZIP code (6) MARY J BROWN 198 MAIN STREET BOWLING GREEN KY 42101			<b>11</b> Nonqualified plans		<b>12</b> Benefits included in Box 1	
			<b>13</b>		<b>14</b> Other	
			<b>15</b> Statutory employee <input type="checkbox"/> Deceased <input type="checkbox"/> Pension plan <input type="checkbox"/> Legal rep. <input type="checkbox"/> Hshld. emp. <input type="checkbox"/> Subtotal <input type="checkbox"/> Deferred compensation <input type="checkbox"/>			
<b>16</b> State (9)	Employer's state I.D. No. (1) 098765	<b>17</b> State wages, tips, etc. (5) 8,930.70	<b>18</b> State income tax (2) 175.56	<b>19</b> Locality name	<b>20</b> Local wages, tips, etc.	<b>21</b> Local income tax

Department of the Treasury—Internal Revenue Service

Form **W-2** Wage and Tax Statement **2003**  
 Copy 1 To State, City, or Local Tax Department

**THE FOLLOWING FORMS ARE REPRODUCIBLE:**

FORM K-4

FORM K-4A

FORM K-4E

FORM K-4FC

CERTIFICATE OF NONRESIDENCE

K-2 MAGNETIC MEDIA TRANSMITTER REPORT

42A801(D)—AMENDED K-1 RETURN

42A803(D)—AMENDED K-3 RETURN

Copies should be made on a minimum of 16 pound paper.

**Please note: Forms K-1, K-1E, K-3 and K-3E cannot be reproduced.**

Print Full Name \_\_\_\_\_ Social Security No. \_\_\_\_\_

Print Home Address \_\_\_\_\_

## EMPLOYEE:

File this form with your employer. Otherwise, Kentucky income tax must be withheld from your wages.

## EMPLOYER:

Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the Revenue Cabinet should be so advised.

## HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If SINGLE, and you claim an exemption, enter "1" if you do not, enter "0" \_\_\_\_\_
2. If MARRIED, one exemption each for you and spouse if not claimed on another certificate.
  - (a) If you claim both of these exemptions, enter "2" \_\_\_\_\_
  - (b) If you claim one of these exemptions, enter "1" \_\_\_\_\_
  - (c) If you claim neither of these exemptions, enter "0" \_\_\_\_\_
3. Exemptions for age and blindness (applicable only to you and your spouse but not to dependents):
  - (a) If you or your spouse will be 65 years of age or older at the end of the year, and you claim this exemption, enter "2"; if both will be 65 or older, and you claim both of these exemptions, enter "4" \_\_\_\_\_
  - (b) If you or your spouse are blind, and you claim this exemption, enter "2"; if both are blind, and you claim both of these exemptions, enter "4" \_\_\_\_\_
4. If you claim exemptions for one or more dependents, enter the number of such exemptions \_\_\_\_\_
5. National Guard exemption (see instruction 1) \_\_\_\_\_
6. Exemptions for Excess Itemized Deductions (Form K-4A) \_\_\_\_\_
7. Add the number of exemptions which you have claimed above and enter the total \_\_\_\_\_
8. Additional withholding per pay period under agreement with employer. See instruction 1 \_\_\_\_\_ \$ \_\_\_\_\_

I certify that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.

Date \_\_\_\_\_ Signed \_\_\_\_\_

Print Full Name \_\_\_\_\_ Social Security No. \_\_\_\_\_

Print Home Address \_\_\_\_\_

## EMPLOYEE:

File this form with your employer. Otherwise, Kentucky income tax must be withheld from your wages.

## EMPLOYER:

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  - (a) If you claim both of these exemptions, enter "2" \_\_\_\_\_
  - (b) If you claim one of these exemptions, enter "1" \_\_\_\_\_
  - (c) If you claim neither of these exemptions, enter "0" \_\_\_\_\_
3. Exemptions for age and blindness (applicable only to you and your spouse but not to dependents):
  - (a) If you or your spouse will be 65 years of age or older at the end of the year, and you claim this exemption, enter "2"; if both will be 65 or older, and you claim both of these exemptions, enter "4" \_\_\_\_\_
  - (b) If you or your spouse are blind, and you claim this exemption, enter "2"; if both are blind, and you claim both of these exemptions, enter "4" \_\_\_\_\_
4. If you claim exemptions for one or more dependents, enter the number of such exemptions \_\_\_\_\_
5. National Guard exemption (see instruction 1) \_\_\_\_\_
6. Exemptions for Excess Itemized Deductions (Form K-4A) \_\_\_\_\_
7. Add the number of exemptions which you have claimed above and enter the total \_\_\_\_\_
8. Additional withholding per pay period under agreement with employer. See instruction 1 \_\_\_\_\_ \$ \_\_\_\_\_

I certify that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.

Date \_\_\_\_\_ Signed \_\_\_\_\_

Print Full Name \_\_\_\_\_ Social Security No. \_\_\_\_\_

Print Home Address \_\_\_\_\_

## EMPLOYEE:

File this form with your employer. Otherwise, Kentucky income tax must be withheld from your wages.

## EMPLOYER:

Keep this certificate with your records. If the employee is believed to have claimed too many exemptions, the Revenue Cabinet should be so advised.

## HOW TO CLAIM YOUR WITHHOLDING EXEMPTIONS

1. If SINGLE, and you claim an exemption, enter "1" if you do not, enter "0" \_\_\_\_\_
2. If MARRIED, one exemption each for you and spouse if not claimed on another certificate.
  - (a) If you claim both of these exemptions, enter "2" \_\_\_\_\_
  - (b) If you claim one of these exemptions, enter "1" \_\_\_\_\_
  - (c) If you claim neither of these exemptions, enter "0" \_\_\_\_\_
3. Exemptions for age and blindness (applicable only to you and your spouse but not to dependents):
  - (a) If you or your spouse will be 65 years of age or older at the end of the year, and you claim this exemption, enter "2"; if both will be 65 or older, and you claim both of these exemptions, enter "4" \_\_\_\_\_
  - (b) If you or your spouse are blind, and you claim this exemption, enter "2"; if both are blind, and you claim both of these exemptions, enter "4" \_\_\_\_\_
4. If you claim exemptions for one or more dependents, enter the number of such exemptions \_\_\_\_\_
5. National Guard exemption (see instruction 1) \_\_\_\_\_
6. Exemptions for Excess Itemized Deductions (Form K-4A) \_\_\_\_\_
7. Add the number of exemptions which you have claimed above and enter the total \_\_\_\_\_
8. Additional withholding per pay period under agreement with employer. See instruction 1 \_\_\_\_\_ \$ \_\_\_\_\_

I certify that the number of withholding exemptions claimed on this certificate does not exceed the number to which I am entitled.

Date \_\_\_\_\_ Signed \_\_\_\_\_

## INSTRUCTIONS

**1. NUMBER OF EXEMPTIONS**—Do not claim more than the correct number of exemptions. However, if you have unusually large amounts of itemized deductions, you may claim additional exemptions to avoid excess withholding. You may also claim an additional exemption if you will be a member of the Kentucky National Guard at the end of the year. If you expect to owe more income tax for the year than will be withheld, you may increase the withholding by claiming a smaller number of exemptions or you may enter into an agreement with your employer to have additional amounts withheld. If you claim more than 10 exemptions this information is sent to the Revenue Cabinet.

**2. CHANGES IN EXEMPTIONS**—You may file a new certificate at any time if the number of your exemptions **INCREASES**.

You must file a new certificate within 10 days if the number of exemptions previously claimed by you **DECREASES** for any of the following reasons.

(a) Your spouse for whom you have been claiming an exemption is divorced or legally separated, or claims their own exemption on a separate certificate.

(b) The support of a dependent for whom you claimed exemption is taken over by someone else, so that you no longer expect to furnish more than half the support for the year.

(c) Your itemized deductions substantially decrease and a Form K-4A has previously been filed.

**OTHER DECREASES** in exemption, such as the death of a spouse or a dependent, do not affect your withholding until the next year, but require the filing of a new certificate by December 1 of the year in which they occur.

**3. DEPENDENTS**—To qualify as your dependent (line 4 on reverse), a person (a) must receive more than one-half of his or her support from you for the year, and (b) must not be claimed as an exemption by such person's spouse, and (c) must be a citizen of the United States, or a resident of the United States, Canada, or Mexico, or (d) must have lived with you for the entire year as a member of your household or be related to you as follows:

- your child, stepchild, legally adopted child, foster child (if he lived in your home as a member of the family for the entire year), grandchild, son-in-law, or daughter-in-law;
- your father, mother, or ancestor of either, stepfather, stepmother, father-in-law, or mother-in-law;
- your brother, sister, stepbrother, stepsister, brother-in-law, or sister-in-law;
- your uncle, aunt, nephew, or niece (but only if related by blood).

**4. PENALTIES**—Penalties are imposed for willfully supplying false information or willful failure to supply information which would reduce the withholding exemption.

[www.revenue.ky.gov](http://www.revenue.ky.gov)



## INSTRUCTIONS

**1. NUMBER OF EXEMPTIONS**—Do not claim more than the correct number of exemptions. However, if you have unusually large amounts of itemized deductions, you may claim additional exemptions to avoid excess withholding. You may also claim an additional exemption if you will be a member of the Kentucky National Guard at the end of the year. If you expect to owe more income tax for the year than will be withheld, you may increase the withholding by claiming a smaller number of exemptions or you may enter into an agreement with your employer to have additional amounts withheld. If you claim more than 10 exemptions this information is sent to the Revenue Cabinet.

**2. CHANGES IN EXEMPTIONS**—You may file a new certificate at any time if the number of your exemptions **INCREASES**.

You must file a new certificate within 10 days if the number of exemptions previously claimed by you **DECREASES** for any of the following reasons.

(a) Your spouse for whom you have been claiming an exemption is divorced or legally separated, or claims their own exemption on a separate certificate.

(b) The support of a dependent for whom you claimed exemption is taken over by someone else, so that you no longer expect to furnish more than half the support for the year.

(c) Your itemized deductions substantially decrease and a Form K-4A has previously been filed.

**OTHER DECREASES** in exemption, such as the death of a spouse or a dependent, do not affect your withholding until the next year, but require the filing of a new certificate by December 1 of the year in which they occur.

**3. DEPENDENTS**—To qualify as your dependent (line 4 on reverse), a person (a) must receive more than one-half of his or her support from you for the year, and (b) must not be claimed as an exemption by such person's spouse, and (c) must be a citizen of the United States, or a resident of the United States, Canada, or Mexico, or (d) must have lived with you for the entire year as a member of your household or be related to you as follows:

- your child, stepchild, legally adopted child, foster child (if he lived in your home as a member of the family for the entire year), grandchild, son-in-law, or daughter-in-law;
- your father, mother, or ancestor of either, stepfather, stepmother, father-in-law, or mother-in-law;
- your brother, sister, stepbrother, stepsister, brother-in-law, or sister-in-law;
- your uncle, aunt, nephew, or niece (but only if related by blood).

**4. PENALTIES**—Penalties are imposed for willfully supplying false information or willful failure to supply information which would reduce the withholding exemption.

[www.revenue.ky.gov](http://www.revenue.ky.gov)



## INSTRUCTIONS

**1. NUMBER OF EXEMPTIONS**—Do not claim more than the correct number of exemptions. However, if you have unusually large amounts of itemized deductions, you may claim additional exemptions to avoid excess withholding. You may also claim an additional exemption if you will be a member of the Kentucky National Guard at the end of the year. If you expect to owe more income tax for the year than will be withheld, you may increase the withholding by claiming a smaller number of exemptions or you may enter into an agreement with your employer to have additional amounts withheld. If you claim more than 10 exemptions this information is sent to the Revenue Cabinet.

**2. CHANGES IN EXEMPTIONS**—You may file a new certificate at any time if the number of your exemptions **INCREASES**.

You must file a new certificate within 10 days if the number of exemptions previously claimed by you **DECREASES** for any of the following reasons.

(a) Your spouse for whom you have been claiming an exemption is divorced or legally separated, or claims their own exemption on a separate certificate.

(b) The support of a dependent for whom you claimed exemption is taken over by someone else, so that you no longer expect to furnish more than half the support for the year.

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**WITHHOLDING EXEMPTIONS FOR EXCESS ITEMIZED DEDUCTIONS**

- a. Total estimated Kentucky itemized deductions ..... a. \$ \_\_\_\_\_
- b. Estimated Kentucky itemized deductions to be claimed by spouse ..... b. \$ \_\_\_\_\_
- c. Line a less line b ..... c. \$ \_\_\_\_\_
- d. Standard deduction (see reverse) ..... d. \$ \_\_\_\_\_
- e. Line c less line d ..... e. \$ \_\_\_\_\_
- f. Divide the amount on line e by \$400. Enter the result (rounded to the nearest whole number) here and on Form K-4, line 6 ..... f. \$ \_\_\_\_\_
- 

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## NOTICE TO EMPLOYEE

Use this form to determine if your expected itemized deductions entitle you to claim additional withholding exemptions for Kentucky withholding purposes. These allowances are solely for withholding purposes and cannot be claimed on your tax return.

For the current standard deduction, visit the Revenue Cabinet's Web site at [www.revenue.ky.gov](http://www.revenue.ky.gov) or call (502) 564-4581.



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**Form K-4E**

42A804-E (2-00)

Commonwealth of Kentucky  
**REVENUE CABINET****Special Withholding Exemption Certificate***(For use by employees who anticipate no tax liability for the current year.)*

Date \_\_\_\_\_

Type or Print Full Name

Social Security Number

Expires (see instructions)

Home Address (Number and Street)

City, State and ZIP Code

**Employee**—File this certificate with your employer. Otherwise Kentucky income tax must be withheld from your wages.**Employer**—Keep this certificate with your records. This certificate may be used instead of Form K-4 by those employees qualified to claim the exemption.**Employee's Certification**—I certify under the penalties of perjury that I anticipate no Kentucky income tax liability for the year indicated above.

Signature \_\_\_\_\_

Date \_\_\_\_\_

----- CUT HERE -----

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Date \_\_\_\_\_

## INSTRUCTIONS



**Who May Claim the Exemption from Withholding of Income Tax**—The employee may be entitled to claim the exemption from the withholding of Kentucky income tax if no income tax liability is anticipated for the current year and the employee meets the income requirements as shown below. If the employee is eligible to claim this exemption, the employer will not withhold Kentucky income tax from wages.

**Liability for Estimated Tax**—If the employer does not withhold income tax from wages and an income tax liability occurs, an estimated tax may be required. The penalty will be applicable if the estimated tax is not paid.

**Income Requirements**—A single person having an adjusted gross income of \$5,000 or less for the year, or a married person whose adjusted gross income combined with the adjusted gross income of his or her spouse is \$5,000 or less may claim

the exemption by filing the certificate. **If the anticipated income will exceed these requirements, this certificate must not be filed.**

**Multiple Employers**—An employee, employed by more than one employer, may claim the exemption from withholding with each employer, provided that the total of the anticipated income will not cause the employee to incur any liability for Kentucky income tax for the current taxable year.

**Expiration and Requirement of Revocation of the Exemption**—This certificate will expire on the last day of the fourth month following the close of the taxable year. This exemption certificate must be revoked within 10 days if it is reasonable to anticipate that a Kentucky income tax liability will occur. If this exemption certificate is discontinued or revoked, a new Employee's Withholding Exemption Certificate (Form K-4) must be filed with the employer.

----- CUT HERE -----

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**FORT CAMPBELL EXEMPTION CERTIFICATE**

*(For use by Fort Campbell, Kentucky, employee  
who is not a resident of Kentucky)*

☐ Date Revoked \_\_\_\_\_

\_\_\_\_\_  
Type or Print Full Name Social Security Number Effective Date (MM/DD/YY)

\_\_\_\_\_  
Home Address (Must be completed, physical location required) City, State and ZIP Code

\_\_\_\_\_  
Mailing Address if different City, State and ZIP Code

**Employee's Certification**—I certify under the penalties of perjury that I am a resident of \_\_\_\_\_ State

and that I do not maintain a residence in Kentucky. I understand the exemption applies only to wages earned as an employee at Fort Campbell, Kentucky. This certificate must be revoked 10 days after a move or change of address to Kentucky.

Signature \_\_\_\_\_ Date \_\_\_\_\_



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## INSTRUCTIONS

Under the provisions of Public Law 105–261, pay and compensation earned at Fort Campbell, Kentucky, military base is exempt from Kentucky income tax if you are not a resident of Kentucky. KRS 141.010(17) defines “resident” as an individual domiciled within this state or an individual who is not domiciled in this state, but maintains a place of abode in this state and spends in the aggregate more than one hundred eighty-three (183) days of the taxable year in this state.

**Employees**—If you are not a “resident” of Kentucky, complete Form 42A807 and file with your employer. Otherwise Kentucky income tax must be withheld from your wages. The address portion of the form must contain the physical location where you live. *A post office box number is unacceptable* and will invalidate this certificate.

It is ***your responsibility*** to notify your employer to revoke this certificate 10 days after a move or change of address to Kentucky.

**Penalties**—Criminal and civil penalties may be imposed for intentionally supplying false information or intentional failure to supply information which causes your employer to under-withhold.

**Employers**—Keep a copy for your files and mail a copy with your name and federal or Kentucky identification number to the Kentucky Revenue Cabinet, P.O. Box 181, Station 57, Frankfort, Kentucky 40602-0181, within 30 days of receipt. After the employee files a complete Form 42A807, you are authorized to discontinue withholding Kentucky income tax from wages earned at Fort Campbell, Kentucky. If the employee moves or otherwise changes his/her address to Kentucky, begin withholding Kentucky income tax as required by KRS 141.310 with the first payroll period ending after you receive notice of the change. Check the box in the upper right corner to indicate this certificate is revoked and enter date. Retain in your files for four years.

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42A809  
10-00

COMMONWEALTH OF KENTUCKY, REVENUE CABINET  
FRANKFORT, KENTUCKY 40620

*See Instructions  
on Reverse*

**CERTIFICATE OF NONRESIDENCE**

*(Please Type or Print)*

Name of employee \_\_\_\_\_ Social Security No. \_\_\_\_\_

Home address \_\_\_\_\_  
Number and street or rural route City, town, or post office State ZIP Code

I have not been a resident of Kentucky during the year. (Check block in front of applicable statement.) I work in Kentucky and reside in:

- ☐ Illinois, ☐ Indiana, ☐ Michigan, ☐ Ohio, ☐ West Virginia, ☐ Wisconsin, or  
☐ Virginia and commute daily to my place of employment in Kentucky. (*Must commute daily to apply.*)

I hereby certify that the above information is true and complete. I further certify that at any time I change my status as a resident of \_\_\_\_\_, I will notify my employer of such fact within ten days from date of change. Name of current state of residence

\_\_\_\_\_  
Signature of employee

\_\_\_\_\_  
Date

42A809  
10-00

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**INSTRUCTIONS**  
**To Be Filed With Employer**

**To The Employee:**

You are exempt from income taxes on wages or salaries earned in Kentucky if: (1) You have not been a resident of Kentucky during the taxable year and you reside in Illinois, Indiana, Michigan, Ohio, West Virginia, or Wisconsin or (2) you reside in Virginia and commute *daily* to your place of employment in Kentucky.

If you meet one of the above qualifications and are therefore exempt, your employer may cease withholding Kentucky income taxes. However, you must complete the front of this form and file it with your employer before he can stop withholding.

**To The Employer:**

Upon receipt of this form, properly completed, you are authorized to discontinue the withholding of Kentucky income tax from the wages of (1) an employee who resides in Illinois, Indiana, Michigan, Ohio, West Virginia, or Wisconsin, and has not resided in Kentucky during the taxable year, or (2) an employee who resides in Virginia and commutes *daily* to his place of employment in Kentucky. The completed form is to be retained in *your* file. If the employee moves or otherwise changes his residence to a state other than those mentioned above, begin withholding Kentucky income tax, as required by KRS 141.310, with the first payroll period ending after you receive notice of status change from the employee.

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# EMPLOYER'S RETURN OF INCOME TAX WITHHELD

# K-1

NAME AND ADDRESS		AMENDED RETURN		FOR OFFICIAL USE ONLY			
		Period Beginning: <input style="width: 100px;" type="text"/>					
		Period Ending:					
		Return Due:					
		Account No.:		<b>A As Originally Reported or Adjusted</b>		<b>B Correct Amount</b>	
<b>A As Originally Reported or Adjusted</b>	<b>B Correct Amount</b>	1. Total wages paid this period .....					
Total Number of Employees This Period		2. Kentucky income tax withheld this period .....					
<input style="width: 100px;" type="text"/>	<input style="width: 100px;" type="text"/>	3. Previous period adjustments or credits .....					
<b>EXPLANATION OF CHANGES</b>		4. Net tax due .....					
		5. Penalty (see instructions) .....					
		6. Interest (see instructions) .....					
		7. Total penalty and interest (line 5 plus line 6) .....					
		8. Total amount due (line 4 plus line 7) .....					
		Refund requested \$ _____		Credit forward to _____ period			
		I declare, under the penalties of perjury, that this return has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.					
		SIGN HERE ➤ _____ <div style="display: flex; justify-content: space-between; width: 100%;"> <span>SIGNATURE</span> <span>TITLE</span> <span>DATE</span> </div>					
Remit total amount due. Make check payable to: <b>Kentucky State Treasurer.</b> Mail to: <b>Revenue Cabinet, Frankfort, Kentucky 40619.</b>							




EMPLOYER'S RETURN OF  
INCOME TAX WITHHELD

1

2

3

K-3

NAME AND ADDRESS		AMENDED RETURN		FOR OFFICIAL USE ONLY				
		Period Beginning: <input style="width: 100px;" type="text"/>						
		Period Ending:						
		Return Due:						
		Account No.:		<b>A As Originally Reported or Adjusted</b>	<b>B Correct Amount</b>			
<b>A As Originally Reported or Adjusted</b>		<b>B Correct Amount</b>		<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;"> <p>1. Total wages paid this period .....</p> <p>2. Kentucky income tax withheld this period .....</p> <p>3. Previous period adjustments or credits .....</p> <p>4. Net tax due .....</p> <p>5. Penalty (see instructions) .....</p> <p>6. Interest (see instructions) .....</p> <p>7. Total penalty and interest (line 5 plus line 6) .....</p> <p>8. Total amount due (line 4 plus line 7) .....</p> </div> <div style="width: 45%; text-align: center;"> <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p>Refund requested \$ .....</p> </div> <div style="width: 35%;"> <p>Credit forward to _____ period</p> </div> </div> </div> </div>				
<p><b>Total Number of Employees This Period</b></p> <div style="border: 1px solid black; width: 100px; height: 20px; margin: 5px auto;"></div>		<div style="border: 1px solid black; width: 100px; height: 20px; margin: 5px auto;"></div>						
<b>ANNUAL RECONCILIATION</b>								
<p>9. Total wages paid for the year .....</p>								
<p>10. Total Kentucky income tax withheld as shown on K-2s ....</p>								
Period	Col. A Monthly Payments	Col. B Payments By Quarter	Col. A Monthly Payments	Col. B Payments By Quarter				
Jan.	_____		_____					
Feb.	_____		_____					
Mar.	_____ 1st _____		_____ 1st _____					
Apr.	_____		_____					
May	_____		_____					
June	_____ 2nd _____		_____ 2nd _____					
July	_____		_____					
Aug.	_____		_____					
Sept.	_____ 3rd _____		_____ 3rd _____					
Oct.	_____		_____					
Nov.	_____		_____					
Dec.	_____ 4th _____		_____ 4th _____					
11. Total (line 11 must equal line 10) .....		\$						
				<p>I declare, under the penalties of perjury, that this return has been examined by me and to the best of my knowledge and belief is a true, correct and complete return.</p>				
				<p>SIGN HERE ➤ _____</p> <div style="display: flex; justify-content: space-between; margin-top: 5px;"> <span>SIGNATURE</span> <span>TITLE</span> <span>DATE</span> </div>				
				<p>Remit total amount due. Make check payable to: <b>Kentucky State Treasurer.</b> Mail to: <b>Revenue Cabinet, Frankfort, Kentucky 40619.</b></p>				



## TRANSMITTER REPORT FOR FILING KENTUCKY WAGE STATEMENTS



1. Name and Address of Transmitter	5. Number of Kentucky Statements
	6. Kentucky Taxable Wages
	7. Kentucky Income Tax Withheld
2. KY Withholding Account Number	8. Name and Address of Persons to Contact About W-2/K-2 Submission
3. Tax Year	
4. Phone Number (Include Area Code)	

### INSTRUCTIONS

Please complete boxes (1) through (8) and mail with the wage statements to:

**Kentucky Revenue Cabinet  
W-2 Processing  
200 Fair Oaks Lane, Station 57  
Frankfort, KY 40620**

If more than one Kentucky withholding account is reported on the CD or diskette, omit lines 2, 5, 6 and 7, and attach a summary sheet showing name and address, Kentucky withholding tax account number, number of Kentucky statements, Kentucky taxable wages and Kentucky income tax withheld for each account.

**This Transmitter Report must be filled out and submitted with  
your wage and tax statements by January 31  
following the close of the calendar year.**

**Photocopies of this Transmitter Report are acceptable.**

For your convenience, wage and tax statements may be filed via file transfer protocol (FTP). Visit the Revenue Cabinet's Web site for details.

*[www.revenue.ky.gov](http://www.revenue.ky.gov)*

**Authorization to Submit Employees Annual  
Wage and Tax Statements Via KRC Web Site**

<b>1. Name, address and Kentucky withholding tax account number of person, organization or firm requesting Web filing.</b>  Business Name _____ FEIN* _____  Street Address _____ City/State/ZIP _____
<b>2. Name, title and telephone number of contact person</b>  Contact Name _____ Phone Number _____  Title _____ E-mail Address** _____
<b>3. Estimated number of wage and tax statements to be reported</b> _____
<b>4. Identification of the type of equipment:</b>  Operating System _____ Internet Browser _____  Does your office have a Firewall? <input type="checkbox"/> Yes <input type="checkbox"/> No
<div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 45%; text-align: center;">           _____            Signature of Person Completing Authorization         </div> <div style="width: 45%; text-align: center;">           _____            Date         </div> </div>

*Please submit the request to:*

Kentucky Revenue Cabinet  
Withholding Tax Section  
P.O. Box 181, Station 57  
Frankfort, KY 40602-0181  
**[www.revenue.ky.gov](http://www.revenue.ky.gov)**

*\*If more than one FEIN is involved, please use the FEIN of the submitting/transmitting entity.*

*\*\*This gives KRC permission to confirm the status to the employer using the confidential e-mail address provided on the form.*

**Please Note:** It is important to get your system/network administrator involved immediately to ensure that you have the proper capabilities. KRC provides a secure Web site, but there are often limitations in your system or network. Please work with your system/network administrator early to ensure your success!

I, the undersigned, declare under the penalties of perjury that I have examined this refund application (including any attached schedules and statements) and to the best of my knowledge and belief, the statements contained herein are true, complete and correct, and that I am duly authorized to sign this application. The undersigned certifies that no tax liability of any kind is due or owing the Commonwealth of Kentucky by this applicant.

Title \_\_\_\_\_

Date \_\_\_\_\_

## YOUR RIGHTS AS A KENTUCKY TAXPAYER

The mission of the Kentucky Revenue Cabinet (KRC) is to provide courteous, accurate and efficient services for the benefit of the Commonwealth and administer Kentucky tax laws in a fair and impartial manner.

As a Kentucky taxpayer, you have the right to expect the KRC to honor its mission and uphold your rights every time you contact or are contacted by the KRC.

### RIGHTS OF TAXPAYER

**Privacy**—You have the right to privacy of information provided to the KRC.

**Assistance**—You have the right to advice and assistance from the KRC in complying with state tax laws.

**Explanation**—You have the right to a clear and concise explanation of:

- basis of assessment of additional taxes, interest and penalties, or the denial or reduction of any refund or credit claim;
- procedure for protest and appeal of a determination of the KRC; and
- tax laws and changes in tax laws so that you can comply with the law.

**Protest and Appeal**—You have the right to protest and appeal a determination of the KRC if you disagree with an assessment of tax or penalty, reduction or a denial of a refund, a revocation of a license or permit, or other determination made by the KRC.

**Conference**—You have the right to a conference to discuss a tax matter.

**Representation**—You have the right to representation by your authorized agent (attorney, accountant or other person) in any hearing or conference with the KRC. You have the right to be informed of this right prior to the conference or hearing. If you intend for your representative to attend the conference or hearing in your place, you may be required to give your representative a power of attorney before the KRC can discuss tax matters with your authorized agent.

**Recordings**—You have the right to make an audio recording of any meeting, conference or hearing with the KRC, or to be notified in advance if the KRC plans to record the proceedings and to receive a copy of any recording.

**Consideration**—You have the right to consideration of:

- waiver of penalties or collection fees if "reasonable cause" for reduction or waiver is given ("reasonable cause" is defined in KRS 131.010(9) as: "an event, happening, or circumstance entirely beyond the knowledge or control of a taxpayer who has exercised due care and prudence in the filing of a return or report or the payment of monies due the cabinet pursuant to law or administrative regulation");
- installment payments of delinquent taxes, interest and penalties;
- waiver of interest and penalties, but not taxes, resulting from incorrect written advice from the KRC if all facts were given and the law did not change or the courts did not issue a ruling to the contrary;
- extension of time for filing reports or returns; and
- payment of charges incurred resulting from an erroneous filing of a lien or levy by the KRC.

**Guarantee**—You have the right to a guarantee that KRC employees are not paid, evaluated or promoted based on taxes assessed or collected, or a tax assessment or collection quota or goal imposed or suggested.

**Damages**—You have the right to file a claim for actual and direct monetary damages with the Kentucky Board of Claims if a KRC employee willfully, recklessly and intentionally disregards your rights as a Kentucky taxpayer.

**Interest**—You have the right to receive interest on an overpayment of tax, except delinquent property tax, payable at the same rate you would pay if you underpaid your tax.

### REVENUE CABINET RESPONSIBILITIES

The KRC has the responsibility to:

- perform audits, conduct conferences and hearings with you at reasonable times and places;
- authorize, require or conduct an investigation or surveillance of you only if it relates to a tax matter;
- make a written request for payment of delinquent taxes which are due and payable at least 30 days prior to seizure and sale of your assets;
- conduct educational and informational programs to help you understand and comply with the laws;
- publish clear and simple statements to explain tax procedures, remedies, your rights and obligations, and the rights and obligations of the KRC;
- notify you in writing when an erroneous lien or levy is released and, if requested, notify major credit reporting companies in counties where lien was filed;
- advise you of procedures, remedies and your rights and obligations with an original notice of audit or when an original notice of tax due is issued, a refund or credit is denied or reduced, or whenever a license or permit is denied, revoked or canceled;
- notify you in writing prior to termination or modification of a payment agreement;
- furnish copies of the agent's audit workpapers and a written narrative explaining the reason(s) for the assessment;
- resolve tax controversies on a fair and equitable basis at the administrative level whenever possible; and
- notify you in writing at your last known address at least 60 days prior to publishing your name on a list of delinquent taxpayers for which a tax or judgment lien has been filed.

The KRC has a Taxpayer Ombudsman's Office which consists of the Ombudsman and a staff whose job is to serve as an advocate for taxpayers' rights. One of the main functions of the office is to ensure that your rights as a Kentucky taxpayer are protected by the KRC.

The Taxpayer Ombudsman's Office may be contacted by telephone at (502) 564-7822 (between 8:00 a.m. and 4:30 p.m. weekdays). From a Telecommunication Device for the Deaf (TDD), call (502) 564-3058. The mailing address is: Office of Taxpayer Ombudsman, P.O. Box 930, Frankfort, Kentucky 40602-0930.

\* \* \* \* \*

This information merely summarizes your rights as a Kentucky taxpayer and the responsibilities of the Revenue Cabinet. The Kentucky Taxpayers' Bill of Rights may be found in the Kentucky Revised Statutes (KRS) at Chapter 131.041—131.081. Additional rights and responsibilities are provided for in KRS 131.020, 131.110, 131.170, 131.183, 131.500, 133.120, 133.130, 134.580 and 134.590.

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## **CHECKLIST**

### **FORM K-1**

1. Are the number of employees and the amount of Kentucky wages paid listed?
2. If an amount is claimed on Line 4, is an explanation included on back of return?
3. If you had no employees for a filing period, are you filing a return indicating zero employees as required?
4. Is Form K-1 signed and dated?

### **FORM K-3**

1. Are the number of employees and the amount of Kentucky wages paid listed?
2. If an amount is claimed on Line 4, is an explanation included on back of return?
3. Is the Annual Reconciliation (on back of return) completed?
4. Is Form K-3 signed and dated?

### **WAGE AND TAX STATEMENTS (FORMS K-2)**

1. Are the required items listed in Section VI included on the forms?
2. Are the Wage and Tax Statements (Forms K-2) legible?
3. Does the total of Kentucky tax withheld on the Wage and Tax Statements (Forms K-2) reconcile to total payments listed on Form K-3?
4. Is the Kentucky Withholding Account Number listed?
5. Are the Wage and Tax Statements included with Transmitter Report (Form 42A806) with applicable information completed?

COMMONWEALTH OF KENTUCKY  
**REVENUE CABINET**  
FRANKFORT, KENTUCKY 40620

PLACE  
APPROPRIATE  
POSTAGE  
HERE